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浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 0576)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE PROVISION OF SERVICES BY MAINTENANCE CO AND
ZHEJIANG SHUNCHANG**

ROAD MAINTENANCE AGREEMENT

On 6 April 2017, the Company organised a public tender in respect of the provision of Maintenance Services to the Group's four expressways, namely, the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, Jinhua section of the Ningbo-Jinhua Expressway and the Hanghui Expressway. Maintenance Co succeeded in the tender and was awarded a contract to provide the Maintenance Services.

On 23 June 2017, the Company entered into the Road Maintenance Agreement with Maintenance Co, pursuant to which Maintenance Co agreed to provide the Maintenance Services to the Group's four expressways from 23 June 2017 to 30 November 2017.

ASPHALT ROAD GEOTHERMAL POWER REGENERATION AGREEMENT

On 21 April 2017, the Company organised an invitation to tender in respect of the provision of Regeneration Services to the Group's five expressways, namely, the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, Jinhua section of the Ningbo-Jinhua Expressway, the Hanghui Expressway and the Huihang Expressway. Zhejiang Shunchang succeeded in the tender and was awarded a contract to provide the Regeneration Services.

On 23 June 2017, the Company entered into the Asphalt Road Geothermal Power Regeneration Agreement (瀝青路面地熱再生工程協定) with Zhejiang Shunchang, pursuant to which Zhejiang Shunchang agreed to provide the Regeneration Services to the Group's five expressways from 23 June 2017 to 20 October 2017.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a controlling shareholder of the Company. Therefore, Maintenance Co and Zhejiang Shunchang, as subsidiaries of Communications Group, are connected persons of the Company and as a result, the transactions under the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement are entered into by the Group with parties who are connected with one another within a 12-month period and are similar in nature, the continuing connected transactions contemplated under the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement should be aggregated in accordance with Rule 14A.81 of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement, on an aggregated basis, are more than 0.1% but less than 5%, the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

ROAD MAINTENANCE AGREEMENT

Principal terms of the Road Maintenance Agreement are set out below:

Date: 23 June 2017.

Parties: (1) the Company; and
(2) Maintenance Co.

Term: The term of the Road Maintenance Agreement is from 23 June 2017 to 30 November 2017.

Subject matter: Maintenance Co agreed to provide certain maintenance services in respect of the Target Expressways (Maintenance), namely Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, Jinhua section of the Ningbo-Jinhua Expressway and the Hanghui Expressway, including road work, roadbed work, bridge work, road safety related work and certain specific maintenance services.

Service fees and basis of the fees: The total service fees payable by the Company to Maintenance Co under the Road Maintenance Agreement shall be RMB244,412,627 (the “**Service Fees (Maintenance)**”).

The Service Fees (Maintenance) were determined as a result of a public tender (the “**Public Tender**”) of the Maintenance Services for the Target Expressways (Maintenance), where Maintenance Co has succeeded in its bid in accordance with the terms of the Public Tender.

On 13 March 2017, a tender notice in respect of the Public Tender was published on the website of the Communications Group and www.chinabidding.com.cn. Seven entities expressed their interest and each of them made the relevant payment to the Company to obtain the tender documents for the Public Tender. After their internal consideration, four entities (three of which being independent suppliers) eventually submitted their tender to the Company.

Tender evaluation was conducted by a committee consisting of four experts in this industry. The committee evaluated the following factors before deciding to recommend accepting the tender submitted by the Maintenance Co: (1) the working plan proposed by the tenderers and their technical capability; (2) the standard of safety management of the tenderers and their capability of handling emergency events; (3) the quality of work and ability to deliver work on a timely manner; (4) the experience of the tenderers in similar projects and (5) the reputation of tenderers.

To ensure that the terms offered by the Maintenance Co are fair, reasonable and no less favourable than those provided by the independent third parties to the Group, the Company has compared the price offered by each of the tenderers for the Maintenance Services and the price offered by each of the independent suppliers is higher than that offered by Maintenance Co.

After taking into account the above evaluation criteria, the management of the Company has decided to accept the committee's recommendation and award a contract for the Maintenance Services to Maintenance Co.

Terms of payment: The Service Fees (Maintenance) shall be payable by the Group to the Maintenance Co as follows:

- (i) 95% of the Service Fees (Maintenance) to be payable upon completion of the Maintenance Services; and
- (ii) 5% of the Service Fees (Maintenance) to be payable within 15 days after the completion acceptance and the finalisation of the completion and settlement report.

ASPHALT ROAD GEOTHERMAL POWER REGENERATION AGREEMENT

Principal terms of the Asphalt Road Geothermal Power Regeneration Agreement are set out below:

Date: 23 June 2017.

Parties: (1) the Company; and
(2) Zhejiang Shunchang.

Term: The term of the Asphalt Road Geothermal Power Regeneration Agreement is from 23 June 2017 to 20 October 2017.

Subject matter: Zhejiang Shunchang agreed to provide certain regeneration services in respect of the Target Expressways (Regeneration), namely Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, Jinhua section of the Ningbo-Jinhua Expressway, the Hanghui Expressway and the Huihang Expressway, including geothermal power regeneration work and defects repair work.

**Service fees and
basis of the fees:**

The total service fees payable by the Company to Zhejiang Shunchang under the Asphalt Road Geothermal Power Regeneration Agreement shall be RMB34,683,906 (the “**Service Fees (Regeneration)**”).

The Service Fees (Regeneration) were determined as a result of an invitation to tender (the “**Tender Invitation**”) of the Regeneration Services for the Target Expressways (Regeneration), where Zhejiang Shunchang has succeeded in its bid in accordance with the terms of the Tender Invitation.

The Company sent invitations to tender directly to four entities on 21 April 2017. All of the four entities expressed their interest and each of them made the relevant payment to the Company to obtain the tender documents for the Tender Invitation. After their internal consideration, four entities (three of which being independent suppliers) eventually submitted their tender to the Company.

Tender evaluation was conducted by a committee consisting of four experts in this industry. The committee evaluated the following factors before deciding to recommend accepting the tender submitted by Zhejiang Shunchang: (1) the working plan proposed by the tenderers and their technical capability; (2) the standard of safety management of the tenderers and their capability of handling emergency events; (3) the quality of work and ability to deliver work on a timely manner; (4) the experience of the tenderers in similar projects and (5) the reputation of tenderers.

To ensure that the terms offered by Zhejiang Shunchang are fair, reasonable and no less favourable than those provided by the independent third parties to the Group, the Company has compared the price offered by each of the tenderers for the Regeneration Services and the price offered by each of the independent suppliers is higher than that offered by Zhejiang Shunchang.

After taking into account the above evaluation criteria, the management of the Company has decided to accept the committee’s recommendation and award a contract for the Regeneration Services to Zhejiang Shunchang.

Terms of payment: The Service Fees (Regeneration) shall be payable by the Group to the Zhejiang Shunchang as follows:

- (i) 95% of the Service Fees (Regeneration) to be payable upon completion of the Regeneration Services; and
- (ii) 5% of the Service Fees (Regeneration) to be payable within 15 days after the completion acceptance and the finalisation of the completion and settlement report.

Cap for the Road Maintenance Agreement and Asphalt Road Geothermal Power Regeneration Agreement

For the purpose of complying with Chapter 14A of the Listing Rules, the Company has set a cap in respect of the aggregate fees payable by the Company (i) to Maintenance Co for the Maintenance Services during the term of the Road Maintenance Agreement and (ii) to Zhejiang Shunchang for the Regeneration Services during the term of the Asphalt Road Geothermal Power Regeneration Agreement, which shall not exceed RMB307,000,000.

The above cap was determined after taking into account (i) the total service fees payable to the Maintenance Co and Zhejiang Shunchang in respect of the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement, respectively and (ii) the additional service fees, being approximately 10% of the service fees that may be payable to the Maintenance Co and Zhejiang Shunchang, respectively, in the event that additional maintenance services or regeneration services not contemplated under the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement are required by the Company.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Specific maintenance services including the Maintenance Services are necessary for the operation of the Target Expressways (Maintenance). Maintenance Co has the relevant qualifications and expertise to provide such services to the Company. In addition, the Company has gone through the Public Tender in accordance with which Maintenance Co was selected as the qualified service provider for the Maintenance Services. On the basis that the price offered by Maintenance Co being the lowest amongst the tenderers, the terms offered by Maintenance Co are no less favourable than those provided by the independent third parties to the Group.

Geothermal regeneration services including the Regeneration Services are necessary for the operation of the Target Expressways (Regeneration). Zhejiang Shunchang has the relevant qualifications and expertise to provide such services to the Company. In addition, the Company has gone through the Tender Invitation in accordance with which Zhejiang Shunchang was selected as the qualified service provider for the Regeneration Services. On the basis that the price offered by Zhejiang Shunchang being the lowest amongst the tenderers, the terms offered by Zhejiang Shunchang are no less favourable than those provided by the independent third parties to the Group.

Given the above, the Directors (including the independent non-executive Directors) are of the view that the terms of each of the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Communications Group holds approximately 67% of the issued share capital of the Company. By virtue of this shareholding interest, Communications Group is a controlling shareholder of the Company. Therefore, Maintenance Co and Zhejiang Shunchang, as subsidiaries of Communications Group, are connected persons of the Company and as a result, the transactions under the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement are entered into by the Group with parties who are connected with one another within a 12-month period and are similar in nature, the continuing connected transactions contemplated under the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement should be aggregated in accordance with Rule 14A.81 of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement, on an aggregated basis, are more than 0.1% but less than 5%, the Road Maintenance Agreement and the Asphalt Road Geothermal Power Regeneration Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

The Company is a joint stock company established under the laws of the PRC with limited liability on 1 March 1997, the H Shares of which are listed on the Main Board of the Stock Exchange. It is principally engaged in investing in, developing and operating high-grade roads in the PRC. The Group also carries on certain other businesses such as operation of gas stations, restaurants and shops in service areas, advertising at expressway interchanges and external road maintenance, as well as securities related business.

Maintenance Co is a subsidiary of Communication Group which is incorporated under the laws of the PRC on 28 January 2014. Maintenance Co is principally engaged in the construction of transportation projects and maintenance of toll road.

Zhejiang Shunchang is a subsidiary of Communication Group which is incorporated under the laws of the PRC on 11 November 2003. Zhejiang Shunchang is principally engaged in the construction and maintenance of toll road projects and reforests projects.

DEFINITIONS

In this announcement, unless the context specifies otherwise, the following defined expressions have the following meanings:

“Asphalt Road Geothermal Power Regeneration Agreement”	the Asphalt Road Geothermal Power Regeneration Agreement dated 23 June 2017 entered into between the Company and Zhejiang Shunchang, pursuant to which Zhejiang Shunchang agreed to provide the Regeneration Services to the Target Expressways (Regeneration)
“Board”	the board of Directors
“Communications Group”	浙江省交通投資集團有限公司 (Zhejiang Communications Investment Group Co., Ltd.*), a wholly State-owned enterprise established in the PRC, and the controlling shareholder of the Company
“Company”	Zhejiang Expressway Co., Ltd. (浙江滬杭甬高速公路股份有限公司), a joint stock limited company incorporated in the PRC with limited liability
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries

“H Shares”	overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1 per share, which are listed on the Main Board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Maintenance Co”	浙江滬杭甬養護工程有限公司 (Zhejiang Expressway Maintenance Co., Ltd.*), a company incorporated in the PRC and an indirectly-owned subsidiary of Communications Group
“Maintenance Services”	maintenance services including (i) road work such as pavement diseases treatment, bridge deck overlay, pavement overlay; (ii) roadbed work such as slope treatment; (iii) bridge work such as bridge fault maintenance and reinforcement and deck system maintenance; (iv) road safety work such as signs, road markings and fence maintenance and (v) specific maintenance services such as tunnelling and greening
“percentage ratio”	has the meaning ascribed to it under Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan)
“Regeneration Services”	Regeneration services including geothermal power regeneration work and defects repair work
“RMB”	Renminbi, the lawful currency of the PRC
“Road Maintenance Agreement”	the road maintenance agreement dated 23 June 2017 entered into between the Company and Maintenance Co, pursuant to which Maintenance Co agreed to provide the Maintenance Services to the Target Expressways (Maintenance)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“Target Expressways (Maintenance)”	the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, Jinhua section of the Ningbo-Jinhua Expressway and the Hanghui Expressway
“Target Expressways (Regeneration)”	the Shanghai-Hangzhou-Ningbo Expressway, the Shangsang Expressway, Jinhua section of the Ningbo-Jinhua Expressway, the Hanghui Expressway and the Huihang Expressway
“Zhejiang Shunchang”	浙江順暢高等級公路養護有限公司 (Zhejiang Shunchang High-grade Expressway Maintenance Co., Ltd.), a company incorporated in the PRC and an indirectly-owned subsidiary of Communications Group
“%”	per cent.

* *English names for reference only*

On behalf of the Board
ZHEJIANG EXPRESSWAY CO., LTD.
ZHAN Xiaozhang
Chairman

Hangzhou, PRC, 23 June 2017

As at the date of this announcement, the executive directors of the Company are: Mr. ZHAN Xiaozhang, Mr. CHENG Tao and Ms. LUO Jianhu; the non-executive directors of the Company are: Mr. WANG Dongjie, Mr. DAI Benmeng and Mr. ZHOU Jianping; and the independent non-executive directors of the Company are: Mr. ZHOU Jun, Mr. PEI Ker-Wei and Ms. LEE Wai Tsang, Rosa.